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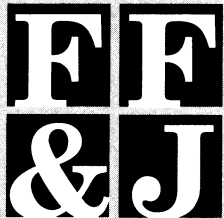
FINANCIAL REPORT

TOWN OF MANTACHIE, MISSISSIPPI

Year Ended September 30, 2003

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
Town of Mantachie, Mississippi

We have audited the accompanying general purpose financial statements of Town of Mantachie, Mississippi, as of September 30, 2003, and for the year then ended. These general purpose financial statements are the responsibility of the Town of Mantachie, Mississippi's management. Our responsibility is to express an opinion on the general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Town of Mantachie, Mississippi does not maintain adequate subsidiary records documenting the valuation or source of the fixed assets included in the General Fixed Assets Account Group. Therefore, it was not practicable to report on fixed assets beyond those purchased since October 1, 1982, and certain large expenditures prior to that date.

In our opinion, except for the fact that many fixed assets have not been reported as referred to in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Town of Mantachie, Mississippi as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Town of Mantachie, Mississippi, taken as a whole. The combining financial statements and schedules and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Mantachie, Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 20, 2004, on our consideration of the Town of Mantachie, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
July 20, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

TOWN OF MANTACHIE, MISSISSIPPI
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
September 30, 2003

| | <u>Governmental Fund Types</u> | | <u>Proprietary Fund Types</u> | <u>Account Group</u> | <u>Totals</u> | |
|---|--------------------------------|------------------------|-------------------------------|----------------------|---------------------------|---------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Enterprise Fund</u> | <u>General</u> | <u>September 30, 2003</u> | <u>September 30, 2002</u> |
| ASSETS AND OTHER DEBITS | | | | | | |
| ASSETS: | | | | | | |
| Cash and Cash Equivalents | \$ 87,189 | \$ 19,471 | \$ 99,955 | \$ | \$ 206,615 | \$ 171,465 |
| Investments - CD's | 100,000 | | | | 100,000 | 100,000 |
| Accounts Receivable | 26,577 | | 21,072 | | 47,649 | 53,926 |
| Other Receivables | | 925,898 | | | 925,898 | 931,419 |
| Meter Deposits | 71 | | 60 | | 131 | 131 |
| Fixed Assets | | | 3,109,594 | 586,783 | 3,696,377 | 3,530,080 |
| Less: Accumulated Depreciation | | | (1,658,069) | | (1,658,069) | (1,571,931) |
| Total Assets | \$ 213,837 | \$ 945,369 | \$ 1,572,612 | \$ 586,783 | \$ 3,318,601 | \$ 3,215,090 |
| LIABILITIES, FUND EQUITY AND OTHER CREDITS | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts Payable | \$ 14,112 | \$ | 2,937 | \$ | \$ 17,049 | \$ 5,252 |
| Accrued Interest | | | 1,412 | | 1,412 | 1,535 |
| Accrued Taxes | 2,143 | | 1,417 | | 3,560 | 4,355 |
| Notes Payable | | | 349,584 | | 349,584 | 324,958 |
| Refundable Meter Deposits | | | 35,837 | | 35,837 | 32,183 |
| Total Liabilities | 16,255 | | 391,187 | | 407,442 | 368,283 |
| FUND EQUITY AND OTHER CREDITS | | | | | | |
| Investment in General | | | | | | |
| Fixed Assets | | | | 586,783 | 586,783 | 473,532 |
| Retained Earnings | | | 1,181,425 | | 1,181,425 | 1,212,411 |
| Unreserved | | | | | | |
| Fund Balance | 197,582 | 945,369 | | | 1,142,951 | 1,160,864 |
| Unreserved | | | | | | |
| Total Fund Equity | 197,582 | 945,369 | 1,181,425 | 586,783 | 2,911,159 | 2,846,807 |
| Total Liabilities and Fund Equity | \$ 213,837 | \$ 945,369 | \$ 1,572,612 | \$ 586,783 | \$ 3,318,601 | \$ 3,215,090 |

TOWN OF MANTACHIE, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
For The fiscal year ended September 30, 2003

| | General | Special Revenue | Totals (Memorandum Only) | |
|---|------------|--------------------|-----------------------------|--------------|
| | | | 2003 | 2002 |
| <u>REVENUES</u> | | | | |
| Sales Tax | \$ 135,845 | \$ | \$ 135,845 | \$ 135,193 |
| TEPA in Lieu Tax | 9,955 | | 9,955 | 9,457 |
| State Gasoline Tax | 2,549 | | 2,549 | 2,051 |
| General Municipal Aid | 577 | | 577 | 577 |
| TVA in Lieu Tax | 6,059 | | 6,059 | 4,448 |
| Fire Protection-State | | 5,004 | 5,004 | 4,715 |
| Law Enforcement Assistance | 52,471 | | 52,471 | 57,943 |
| Reimbursements - Police | 0 | | 0 | 4,712 |
| Court Fines | 16,209 | | 16,209 | 17,040 |
| Garbage Pickup | 44,528 | | 44,528 | 41,202 |
| Grant Income | 5,500 | 19,882 | 25,382 | 458,543 |
| Privilege Tax | 5,330 | | 5,330 | 3,067 |
| City Park Fees | 10,179 | | 10,179 | 1,344 |
| Park Donations | 66,797 | | 66,797 | 32,337 |
| Concessions - Park | 6,134 | | 6,134 | 0 |
| Permits | 2,462 | | 2,462 | 1,408 |
| Interest Income | 3,579 | 68 | 3,647 | 5,880 |
| Miscellaneous | 4,805 | 853 | 5,658 | 5,821 |
| Total Revenues | 372,979 | 25,807 | 398,786 | 785,738 |
| <u>EXPENDITURES</u> | | | | |
| General Government | 137,793 | | 137,793 | 115,588 |
| Public Safety | 147,639 | 22,289 | 169,928 | 133,315 |
| Cultural and Recreational | 96,092 | | 96,092 | 11,205 |
| Total Expenditures | 381,524 | 22,289 | 403,813 | 260,108 |
| Excess Revenues Over Expenditures | (8,545) | 3,518 | (5,027) | 525,630 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Operating Transfers In | 35,936 | | 35,936 | 0 |
| Operating Transfers (Out) | (9,343) | (39,479) | (48,822) | (11,477) |
| Total Other Financing Sources (Uses) | 26,593 | (39,479) | (12,886) | (11,477) |
| Excess Of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 18,048 | (35,961) | (17,913) | 514,153 |
| Fund Balance October 1, | 179,534 | 981,330 | 1,160,864 | 646,711 |
| Fund Balance September 30, | \$ 197,582 | \$ 945,369 | \$ 1,142,951 | \$ 1,160,864 |

See Accompanying Notes to Financial Statements

TOWN OF MANTACHIE, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BUDGET (NON-GAAP) AND ACTUAL-GENERAL AND SPECIAL REVENUE FUNDS
For the fiscal year ended September 30, 2003

| | General | | | Special Revenue | | |
|---|----------------|----------------|--|-----------------|-----------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | | | |
| Sales Tax | \$ 130,000 | \$ 135,348 | \$ 5,348 | \$ | \$ | \$ |
| TEPA in Lieu Tax | 10,000 | 9,922 | (78) | | | |
| State Gasoline Tax | 3,000 | 2,549 | (451) | | | |
| General Municipal Aid | 3,500 | 577 | (2,923) | | | |
| TVA in Lieu Tax | 5,500 | 6,059 | 559 | | | |
| Law Enforcement Assistance | 71,000 | 63,037 | (7,963) | | | |
| Miscellaneous Income | 4,000 | 4,805 | 805 | 0 | 853 | 853 |
| Court Fines | 13,500 | 16,209 | 2,709 | | | |
| Interest Income | 3,600 | 3,579 | (21) | 150 | 68 | (82) |
| Garbage Pickup | 42,500 | 44,404 | 1,904 | | | |
| Fire Protection-State | | | | 3,000 | 5,004 | 2,004 |
| Grant Income | 2,500 | 5,500 | 3,000 | 20,000 | 19,882 | (118) |
| Privilege Tax | 2,100 | 5,330 | 3,230 | | | |
| City Park Fees | 7,500 | 10,179 | 2,679 | | | |
| Concessions - Park | 5,000 | 6,134 | 1,134 | | | |
| Donations - Park | 57,000 | 66,797 | 9,797 | | | |
| Permits | 2,400 | 2,462 | 62 | | | |
| Total Revenues | 363,100 | 382,891 | 19,791 | 23,150 | 25,807 | 2,657 |
| EXPENDITURES | | | | | | |
| General Government | 138,500 | 137,793 | 707 | | | |
| Public Safety | 162,200 | 147,639 | 14,561 | 23,400 | 22,289 | 1,111 |
| Cultural and Recreational | 83,000 | 96,092 | (13,092) | 1,750 | 0 | 1,750 |
| Total Expenditures | 383,700 | 381,524 | 2,176 | 25,150 | 22,289 | 2,861 |
| Excess Revenues Over (Under) Expenditures | (20,600) | 1,367 | 21,967 | (2,000) | 3,518 | 5,518 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating Transfers In | 30,000 | 35,936 | 5,936 | | | |
| Operating Transfers (Out) | (13,500) | (9,343) | 4,157 | | (39,479) | 39,479 |
| Total Other Financing Sources (Uses) | 16,500 | 26,593 | 10,093 | 0 | (39,479) | (39,479) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (4,100) | 27,960 | 32,060 | (2,000) | (35,961) | (33,961) |
| Fund Balance October 1, 2002 | 132,226 | 179,534 | 47,308 | 522,435 | 981,330 | 458,895 |
| Fund Balance September 30, 2003 | \$ 128,126 | 207,494 | \$ 79,368 | \$ 520,435 | \$ 945,369 | \$ 424,934 |
| Adjustments to GAAP Basis: | | | | | | |
| Add: Accrued Revenues | | (9,912) | | | | |
| Fund Balance (GAAP) September 30, 2003 | | \$ 197,582 | | | | |

See Accompanying Notes to Financial Statements.

TOWN OF MANTACHIE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS-ENTERPRISE FUND
For the fiscal year ended September 30, 2003

| | | Totals (Memorandum Only) | |
|--|----------------------------|----------------------------|----------------------------|
| | | September 30, 2003 | September 30, 2002 |
| <u>OPERATING REVENUES</u> | | | |
| Charges for Services | \$ 184,133 | \$ 184,133 | \$ 161,022 |
| Total Operating Revenues | <u>184,133</u> | <u>184,133</u> | <u>161,022</u> |
| | | | |
| <u>OPERATING EXPENSES</u> | | | |
| Personal Services | 62,055 | 62,055 | 47,671 |
| Contractual Service | 0 | 0 | 1,867 |
| Supplies | 12,494 | 12,494 | 14,476 |
| Other Services and Charges | 48,967 | 48,967 | 35,705 |
| Depreciation | 86,139 | 86,139 | 85,828 |
| Total Operating Expenses | <u>209,655</u> | <u>209,655</u> | <u>185,547</u> |
| | | | |
| Operating Income (Loss) | <u>(25,522)</u> | <u>(25,522)</u> | <u>(24,525)</u> |
| | | | |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | | |
| Interest Income | 78 | 78 | 129 |
| Miscellaneous Income | 31 | 31 | 0 |
| Interest Expense | (18,458) | (18,458) | (21,029) |
| Transfers In (Out) | 12,885 | 12,885 | 11,477 |
| Total Non Operating Revenues (Expenses) | <u>(5,464)</u> | <u>(5,464)</u> | <u>(9,423)</u> |
| | | | |
| Net Income (Loss) | (30,986) | (30,986) | (33,948) |
| | | | |
| Retained Earnings October 1, | <u>1,212,411</u> | <u>1,212,411</u> | <u>1,246,359</u> |
| | | | |
| Retained Earnings September 30, | \$ <u><u>1,181,425</u></u> | \$ <u><u>1,181,425</u></u> | \$ <u><u>1,212,411</u></u> |

See Accompanying Notes to the Financial Statements.

TOWN OF MANTACHIE, MISSISSIPPI
STATEMENT OF CASH FLOWS-ENTERPRISE FUND
For the year ended September 30, 2003

| | | Totals (Memorandum Only) | |
|---|------------------|--------------------------|-----------------------|
| | | September 30, 2003 | September 30, 2002 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from Customers | \$ 184,151 | \$ 184,151 | \$ 172,313 |
| Cash Payments for Personal Services | (63,785) | (63,785) | (48,007) |
| Cash Payments for Contractual Services | 0 | 0 | (1,867) |
| Cash Payments for Supplies | (12,757) | (12,757) | (13,306) |
| Cash Payments for Other Services | (48,967) | (48,967) | (35,705) |
| Net Cash Provided by Operating Activities | <u>58,642</u> | <u>58,642</u> | <u>73,428</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Proceeds from Notes Payable | 51,832 | 51,832 | 0 |
| Principal Paid on Notes | (27,206) | (27,206) | (40,978) |
| Interest Paid on Bonds and Notes Payable | (18,581) | (18,581) | (21,164) |
| Fixed Asset Additions | (53,046) | (53,046) | 0 |
| Net Cash Used In Capital and Related Financing Activities | <u>(47,001)</u> | <u>(47,001)</u> | <u>(62,142)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers In (Out) | <u>12,885</u> | <u>12,885</u> | <u>11,477</u> |
| Net Cash Provided By Noncapital Financing Activities | <u>12,885</u> | <u>12,885</u> | <u>11,477</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES - | | | |
| Interest on Investments | <u>108</u> | <u>108</u> | <u>129</u> |
| Net Increase (Decrease) in Cash | 24,634 | 24,634 | 22,892 |
| Cash at Beginning of Year | <u>75,321</u> | <u>75,321</u> | <u>52,429</u> |
| Cash at End of Year | <u>\$ 99,955</u> | <u>\$ 99,955</u> | <u>\$ 75,321</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating Income (Loss) | \$ (25,522) | \$ (25,522) | \$ (24,525) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 86,139 | 86,139 | 85,828 |
| Change in Operating Assets and Liabilities: | | | |
| (Increase) Decrease in Accounts Receivable | (3,636) | (3,636) | 6,428 |
| Increase (Decrease) in Accounts Payable - Operating | (263) | (263) | 1,170 |
| Increase (Decrease) in Accrued Taxes | (1,730) | (1,730) | (336) |
| Increase (Decrease) in Member Deposits | <u>3,654</u> | <u>3,654</u> | <u>4,863</u> |
| Net Cash Provided by Operating Activities | <u>\$ 58,642</u> | <u>\$ 58,642</u> | <u>\$ 73,428</u> |

See Accompanying Notes to Financial Statements.

TOWN OF MANTACHIE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Mantachie, Mississippi operates under the Home-Rule authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the Town provides the following services: public safety (police and fire), street maintenance, sanitation, water and sewer services and general administrative services.

The Town's annual financial report includes the accounts of all Town operations. The accounting policies of the Town of Mantachie, Mississippi conform to generally accepted accounting principles and the account numbering format suggested by the Mississippi State Department of Audit. The following is a summary of such significant policies:

Principles Determining Scope of Reporting Entity

The financial statements of the Town consist only of the funds and account groups of the Town. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and management oversight.

Fund Accounting

The Town records its transactions in the funds and account groups described below, each of which is considered to be a separate accounting entity. Operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures, or expenses and transfers. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the Town is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or covered primarily through user

TOWN OF MANTACHIE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

charges; or (b) when the Town has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Account Groups

Account Groups are used to establish accounting control and accountability for the Town's general fixed assets and general long-term debt obligations. The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the Town, other than those assets accounted for in the Proprietary Funds. Capital outlays in funds other than Proprietary Funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

General Long-Term Debt Account Group

This account group is established to account for all of the Town's long-term debt and governmental fund compensated absences that will be financed from general governmental resources. Long-term liabilities of all Proprietary Funds are accounted for in those funds.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Governmental Fund Types (General, Special Revenue and Capital Project Funds) use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred.

The Proprietary Fund Types are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned, including unbilled water and sewer services which are accrued. Expenses are recorded at the time liabilities are incurred.

TOWN OF MANTACHIE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted.
- (5) Between September 1st-15th the budget must be adopted.
- (6) Between September 1st-30th, in accordance with the Town's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection.

Further, budgets are used as management control devices in the General, Special Revenue and Proprietary Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except the governmental fund types budget revenues on the cash basis in accordance with Mississippi law and the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

Cash and Investments

The Town deposits funds in the financial institutions selected by the Board of Alderman in accordance with state statutes.

TOWN OF MANTACHIE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments - State statutes authorize the Town's investments. The Town is authorized, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county, municipality or school district of this state, when such county, municipal or school district bonds have been properly approved; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of funds. For reporting purposes, certificates of deposit are classified as investments.

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance, the city does not employ an encumbrance system.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the proprietary fund types consider all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Business Information

The Town of Mantachie, Mississippi provides water and sewer services for customers inside the Town limits of Mantachie as well as a limited number of customers outside the Town limits. Credit is extended to all water and sewer customers.

Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by funds type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to read.

TOWN OF MANTACHIE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 2 - PROPERTY AND EQUIPMENT

General Fixed Assets

Property, plant and equipment used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on such assets. The Town has adopted the accounting policy of not capitalizing "infrastructure" general fixed assets (road, bridges, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets) that are immovable and of value only to the Town. There were no expenditures for infrastructure during the current year.

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Water and Sewer System

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation is computed in the Proprietary Funds over the useful lives of the assets using the straight-line method of depreciation.

A summary of equipment cost, estimated useful lives, and accumulated depreciation is as follows:

| | |
|--|---------------------|
| Water and Sewer System (Including Buildings and Right-of-Way) | \$ 3,109,594 |
| Less: Accumulated Depreciation | <u>1,658,069</u> |
| Net | <u>\$ 1,451,525</u> |
| Depreciation expense for the period | <u>\$ 86,139</u> |

Many fixed assets acquired prior to October 1, 1982, have not been included in this report. Due to inadequate records in the past, it was not practicable to arrive at cost figures for these past acquisitions.

TOWN OF MANTACHIE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 3 - NOTES PAYABLE/LONG-TERM DEBT

The following is a summary of debt transactions of the Town for the year ended September 30, 2003:

| | |
|--|-------------------|
| Notes Payable-Long Term Debt at 10/01/02 | \$ 324,958 |
| Notes Payable-Retired during the year | <u>(27,206)</u> |
| Notes Payable-Long Term Debt at 09/30/03 | <u>\$ 297,752</u> |

Notes Payable-Long Term Debt at September 30, 2003 are comprised of the following:

| | |
|---|-------------------|
| Farmers Home Administration note due in monthly payments of \$383 through March 2011; interest rate 5% | \$ 27,632 |
| Farmers Home Administration note due in monthly payments of \$806 through May 2012; interest rate 8-5/8% | 59,306 |
| Farmers Home Administration note due in monthly payments of \$658 through August 2021; interest rate 5-7/8% | 84,512 |
| Farmers Home Administration note due in monthly payments of \$1,459 through February 2012; interest rate 5% | <u>126,302</u> |
| | <u>\$ 297,752</u> |

The annual requirements to amortize all debt outstanding as of September 30, 2003 including interest payments of \$112,196 are as follows:

| <u>Year Ending September 30,</u> | <u>Proprietary Fund</u> | |
|--------------------------------------|-------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2004 | \$ 22,537 | \$ 17,136 |
| 2005 | 23,905 | 15,769 |
| 2006 | 25,361 | 14,313 |
| 2007 | 26,912 | 12,762 |
| 2008 | 28,564 | 11,110 |
| 2009 and thereafter | <u>170,473</u> | <u>41,106</u> |
| | <u>\$ 297,752</u> | <u>\$ 112,196</u> |

NOTE 4 – NOTE PAYABLE INTERIM FINANCING

The Town of Mantachie obtained interim financing from BancorpSouth related to a sewer improvements project. The note was for \$380,000 dated January 7, 2003. As of September 30, 2003, the note had an outstanding balance of \$51,832. The note maturity date is January 7, 2004.

TOWN OF MANTACHIE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description. The Town of Mantachie contributes to the Public Employee's Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the Town of Mantachie is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Mantachie contributions to PERS for the years ending September 30, 2003, 2002 and 2001 were \$26,593, \$23,891 and \$21,703, respectively, equal to the required contributions for each year.

NOTE 6 - FUND BALANCE RECONCILIATION - GENERAL FUND BUDGET BASIS

Mississippi state law requires, for budget purposes, that the general funds record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Further, it is required that the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Government Fund Types" be prepared according to budgetary laws and the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Type" be prepared according to the modified-accrual basis (GAAP).

General

The statements are reconciled as follows:

| | |
|--|-------------------|
| Budgetary basis - excess of revenues and other sources over (under) disbursements and other uses | \$ 207,494 |
| Adjustments to GAAP basis: | |
| Change in accrued revenues | <u>(9,912)</u> |
| GAAP basis - excess of revenues and other sources over (under) expenditures and other uses | \$ <u>197,582</u> |

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

TOWN OF MANTACHIE, MISSISSIPPI
COMPARATIVE BALANCE SHEET-GENERAL FUND
September 30, 2003

| | September 30, 2003 | September 30, 2002 |
|---|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents | \$ 87,189 | \$ 46,233 |
| Investments - CD's | 100,000 | 100,000 |
| Accounts Receivable | 26,577 | 36,490 |
| Meter Deposits | <u>71</u> | <u>71</u> |
| Total Assets | \$ <u>213,837</u> | \$ <u>182,794</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| Accounts Payable | \$ 14,112 | \$ 2,052 |
| Accrued Taxes | <u>2,143</u> | <u>1,208</u> |
| Total Liabilities | <u>16,255</u> | <u>3,260</u> |
| <u>FUND BALANCE</u> | <u>197,582</u> | <u>179,534</u> |
| Total Liabilities and Fund Balance | \$ <u>213,837</u> | \$ <u>182,794</u> |

TOWN OF MANTACHIE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-GENERAL FUND-BUDGET(NON-GAAP) AND ACTUAL
For the fiscal year ended September 30, 2003

| | Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------------------|--------------------|-----------------|--|
| REVENUES | | | |
| Sales Tax | \$ 130,000 | \$ 135,348 | \$ 5,348 |
| TEPA in Lieu Tax | 10,000 | 9,922 | (78) |
| State Gasoline Tax | 3,000 | 2,549 | (451) |
| General Municipal Aid | 3,500 | 577 | (2,923) |
| TVA in Lieu Tax | 5,500 | 6,059 | 559 |
| Law Enforcement Assistance | 71,000 | 63,037 | (7,963) |
| Grant Income | 2,500 | 5,500 | 3,000 |
| Privilege Tax | 2,100 | 5,330 | 3,230 |
| Park Donations | 57,000 | 66,797 | 9,797 |
| City Park Fees | 7,500 | 10,179 | 2,679 |
| Concessions - Park | 5,000 | 6,134 | 1,134 |
| Permits | 2,400 | 2,462 | 62 |
| Miscellaneous Income | 4,000 | 4,805 | 805 |
| Court Fines | 13,500 | 16,209 | 2,709 |
| Interest Income | 3,600 | 3,579 | (21) |
| Garbage Pickup | 42,500 | 44,404 | 1,904 |
| Total Revenues | <u>363,100</u> | <u>382,891</u> | <u>19,791</u> |
| EXPENDITURES | | | |
| GENERAL GOVERNMENT | | | |
| Personal Services | 29,000 | 28,970 | 30 |
| Contractual Services | 54,500 | 54,319 | 181 |
| Supplies | 1,200 | 1,140 | 60 |
| Other Services and Charges | 53,800 | 53,364 | 436 |
| Capital Outlay | 0 | 0 | 0 |
| Total | <u>138,500</u> | <u>137,793</u> | <u>707</u> |
| PUBLIC SAFETY | | | |
| Personal Services | 111,000 | 100,644 | 10,356 |
| Contractual Services | 6,000 | 6,000 | 0 |
| Supplies | 3,500 | 2,952 | 548 |
| Other Services and Charges | 23,200 | 20,309 | 2,891 |
| Capital Outlay | 18,500 | 17,734 | 766 |
| Total | <u>162,200</u> | <u>147,639</u> | <u>14,561</u> |
| CULTURAL AND RECREATIONAL | | | |
| Personal Services | 3,250 | 3,213 | 37 |
| Contractual Services | 3,700 | 3,549 | 151 |
| Supplies | 500 | 281 | 219 |
| Other Services and Charges | 13,550 | 13,414 | 136 |
| Capital Outlay | 62,000 | 75,635 | (13,635) |
| Total | <u>83,000</u> | <u>96,092</u> | <u>(13,092)</u> |
| Total Expenditures | <u>383,700</u> | <u>381,524</u> | <u>2,176</u> |
| Excess Revenues Over Expenditures | \$ <u>(20,600)</u> | \$ <u>1,367</u> | \$ <u>(21,967)</u> |

TOWN OF MANTACHIE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-GENERAL FUND-BUDGET(NON-GAAP) AND ACTUAL
For the fiscal year ended September 30, 2003

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---|-------------------|-------------------|--|
| <u>OTHER FINANCING SOURCES(USES)</u> | | | |
| Operating Transfers (Out) | \$ (13,500) | \$ (9,343) | \$ 4,157 |
| Operating Transfers In | <u>30,000</u> | <u>35,936</u> | <u>5,936</u> |
| Total Other Financing Sources (Uses) | <u>16,500</u> | <u>26,593</u> | <u>10,093</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (4,100) | 27,960 | 32,060 |
| Fund Balance October 1, 2002 | <u>132,226</u> | <u>179,534</u> | <u>47,308</u> |
| Fund Balance (Non-GAAP) September 30, 2003 | \$ <u>128,126</u> | \$ 207,494 | \$ <u>79,368</u> |
| Adjustments to GAAP Basis: | | | |
| Add: Accrued Revenues | | <u>(9,912)</u> | |
| Fund Balance (GAAP) September 30, 2003 | | \$ <u>197,582</u> | |

TOWN OF MANTACHIE, MISSISSIPPI
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
September 30, 2003

| | | | | | Totals (Memorandum Only) | |
|----------------------------|--------------------|--------------|-----------------------------------|-----------------------|-----------------------------|-----------------------|
| | Fire Department | Park Fund | First Time Home Buyers Fund | Home Grant Fund | September 30, 2003 | September 30, 2002 |
| <u>ASSETS</u> | | | | | | |
| Cash and Cash Equivalents | \$ 8,467 | \$ 0 | \$ 11,004 | \$ | \$ 19,471 | \$ 49,911 |
| Other Receivables | | | 168,858 | 757,040 | 925,898 | 931,419 |
| Total Assets | \$ <u>8,467</u> | \$ <u>0</u> | \$ <u>179,862</u> | \$ <u>757,040</u> | \$ <u>945,369</u> | \$ <u>981,330</u> |
| <u>FUND BALANCE</u> | | | | | | |
| | <u>8,467</u> | <u>0</u> | <u>179,862</u> | <u>757,040</u> | <u>945,369</u> | <u>981,330</u> |
| Total Fund Balance | \$ <u>8,467</u> | \$ <u>0</u> | \$ <u>179,862</u> | \$ <u>757,040</u> | \$ <u>945,369</u> | \$ <u>981,330</u> |

TOWN OF MANTACHIE, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-ALL SPECIAL REVENUE FUNDS-BUDGET AND ACTUAL
For the fiscal year ended September 30, 2003

| | Fire Department | | | Park Fund | | | First Time Home Buyers Fund | | | Home Grant Fund | | | Totals | | |
|---|-----------------|----------|----------------------------------|-----------|----------|----------------------------------|-----------------------------|------------|----------------------------------|-----------------|------------|----------------------------------|------------|------------|----------------------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | | | | | | | | | | | | |
| Fire Protection-State | \$ 3,000 | \$ 5,004 | \$ 2,004 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 3,000 | \$ 5,004 | \$ 2,004 |
| Other Income - Fire Dept. | 0 | 853 | 853 | | | | | | | | | | 0 | 853 | 853 |
| Park Donations | 50 | 21 | (29) | | | | | | | | | | | | |
| Interest Income | 20,000 | 19,882 | (118) | | 16 | (69) | | 100 | 31 | | | | 150 | 68 | (82) |
| Grant Income | | | | | | | | | | | | | | 19,882 | 19,882 |
| Total Revenues | 23,050 | 25,760 | 2,710 | 0 | 16 | (69) | 0 | 100 | 31 | 0 | 0 | 0 | 3,150 | 25,807 | 22,657 |
| EXPENDITURES | | | | | | | | | | | | | | | |
| Public Safety | | | | | | | | | | | | | | | |
| Personal Services | 500 | 93 | 407 | | | | | | | | | | 500 | 93 | 407 |
| Contractual Services | 500 | | 500 | | | | | | | | | | 500 | | 500 |
| Supplies | 2,400 | 2,268 | 132 | | | | | | | | | | 2,400 | 2,268 | 132 |
| Other Services And Charges | 20,000 | 19,882 | 118 | | | | | | | | | | 20,000 | 19,882 | 118 |
| Capital Outlay | | | | | | | | | | | | | | | |
| Total | 23,400 | 22,243 | 1,157 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23,400 | 22,243 | 1,157 |
| Cultural And Recreation | | | | | | | | | | | | | | | |
| Personal Services | | | | | | | | | | | | | | | |
| Contractual Services | | 250 | 250 | | | | | 500 | | | | | 250 | | 250 |
| Supplies | 250 | 46 | 204 | | | | | 500 | | | | | 750 | 46 | 704 |
| Other Services and Charges | | | | | | | | | | | | | | | |
| Capital Outlay | | | | | | | | | | | | | | | |
| Total | 250 | 46 | 204 | 0 | 0 | 500 | 0 | 500 | 0 | 500 | 0 | 500 | 1,750 | 46 | 1,704 |
| Total Expenditures | 23,650 | 22,289 | 1,361 | 500 | 0 | 500 | 500 | 500 | 0 | 500 | 0 | 500 | 25,150 | 22,289 | 2,861 |
| Excess Revenues Over (Under) Expenditures | (600) | 3,471 | 4,071 | (500) | 16 | 431 | (500) | (400) | 31 | | 0 | 500 | (22,000) | 3,518 | 25,518 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | | | | |
| Operating Transfers In (Out) | | | | (29,479) | | 29,479 | | (10,000) | | (10,000) | | | 0 | (39,479) | (39,479) |
| Excess Of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (600) | 3,471 | 4,071 | (500) | (29,463) | 29,979 | (500) | (400) | (9,969) | 0 | 500 | (9,569) | (22,000) | (35,961) | (13,961) |
| Fund Balance October 1, 2002 | 2,076 | 4,996 | 2,920 | 28,200 | 29,463 | 1,263 | 306,640 | 189,369 | 189,831 | 757,040 | 757,040 | 450,400 | 522,435 | 981,330 | 458,895 |
| Fund Balance September 30, 2003 | \$ 1,476 | \$ 8,467 | \$ 6,991 | \$ 27,700 | \$ 0 | \$ 31,242 | \$ 306,140 | \$ 188,969 | \$ 179,862 | \$ 757,040 | \$ 757,040 | \$ 450,900 | \$ 500,435 | \$ 945,369 | \$ 444,934 |

Adjustments to GAAP Basis:
Add: Accrued Revenue
Fund Balance (GAAP) September 30, 2003

0
\$ 945,369

TOWN OF MANTACHIE, MISSISSIPPI
COMPARATIVE BALANCE SHEETS-ENTERPRISE FUND
September 30, 2003

| | <u>Water And Sewer System</u> | |
|--|-------------------------------|----------------------------|
| | <u>September 30, 2003</u> | <u>September 30, 2002</u> |
| <u>ASSETS</u> | | |
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | \$ 99,955 | \$ 75,321 |
| Accounts Receivable | <u>21,072</u> | <u>17,436</u> |
| Total Current Assets | <u>121,027</u> | <u>92,757</u> |
| FIXED ASSETS: | | |
| Water and Sewer Plant and System | 3,101,594 | 3,048,548 |
| Land | 8,000 | 8,000 |
| Less: Accumulated Depreciation and Amortization | <u>(1,658,069)</u> | <u>(1,571,931)</u> |
| Net Fixed Assets | <u>1,451,525</u> | <u>1,484,617</u> |
| OTHER ASSETS: | | |
| Meter Deposits | <u>60</u> | <u>60</u> |
| Total Assets | \$ <u><u>1,572,612</u></u> | \$ <u><u>1,577,434</u></u> |
| <u>LIABILITIES AND RETAINED EARNINGS</u> | | |
| CURRENT LIABILITIES: | | |
| Accounts Payable | \$ 2,937 | \$ 3,200 |
| Accrued Interest | 1,412 | 1,535 |
| Accrued Taxes | 1,417 | 3,147 |
| Interim Financing Note Payable | 51,832 | 0 |
| Current Portion of Long-term Debt | <u>22,537</u> | <u>27,239</u> |
| Total Current Liabilities | <u>80,135</u> | <u>35,121</u> |
| LONG-TERM DEBT, less current portion | <u>275,215</u> | <u>297,719</u> |
| REFUNDABLE METER DEPOSITS | <u>35,837</u> | <u>32,183</u> |
| RETAINED EARNINGS | <u>1,181,425</u> | <u>1,212,411</u> |
| Total Liabilities and Retained Earnings | \$ <u><u>1,572,612</u></u> | \$ <u><u>1,577,434</u></u> |

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF GERNAL FIXED ASSETS-BY SOURCES
September 30, 2003

GENERAL FIXED ASSETS

| | |
|----------------------------|-------------------|
| Land and Buildings | \$ 222,435 |
| Machinery and Equipment | <u>364,348</u> |
| Total General Fixed Assets | <u>\$ 586,783</u> |

INVESTMENT IN GENERAL FIXED ASSETS FROM

| | |
|--|-------------------|
| Capital Projects Fund: | |
| Federal Grants | \$ 94,734 |
| State Grants | 81,922 |
| Local Grants | 17,500 |
| Donations | 81,186 |
| General Fund Revenues | 201,161 |
| Special Fund Revenues | <u>110,280</u> |
| Total Investment In General Fixed Assets | <u>\$ 586,783</u> |

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF GENERAL FIXED ASETS-BY FUNCTION AND ACTIVITY
September 30, 2003

| <u>FUNCTION AND ACTIVITY</u> | <u>Total</u> | <u>Land And Building</u> | <u>Machinery And Equipment</u> |
|---|------------------------------|----------------------------------|--|
| General | \$ 230,117 | \$ 220,460 | \$ 9,657 |
| Police Protection | 91,220 | | 91,220 |
| Fire Protection | 66,372 | | 66,372 |
| Recreation | <u>199,074</u> | <u>1,975</u> | <u>197,099</u> |
| Total General Fixed Asset Allocated to Function | \$ <u><u>586,783</u></u> | \$ <u><u>222,435</u></u> | \$ <u><u>364,348</u></u> |

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS-BY FUND AND ACTIVITY
For the Year Ending September 30, 2003

| <u>Function and Activity</u> | <u>General Fixed Assets October 1, 2002</u> | <u>Additions</u> | <u>Deductions</u> | <u>General Fixed Assets September 30, 2003</u> |
|------------------------------|---|--------------------------|-------------------|--|
| General | \$ 230,117 | \$ 0 | \$ | \$ 230,117 |
| Police Protection | 73,486 | 17,734 | | 91,220 |
| Fire Protection | 46,489 | 19,882 | | 66,371 |
| Recreation | <u>123,440</u> | <u>75,635</u> | <u></u> | <u>199,075</u> |
| Total General Fixed Assets | \$ <u><u>473,532</u></u> | \$ <u><u>113,251</u></u> | \$ <u><u></u></u> | \$ <u><u>586,783</u></u> |

OTHER SUPPLEMENTAL INFORMATION

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2003

| <u>Name</u> | <u>Position</u> | <u>Company</u> | <u>Bond</u> |
|----------------------|-----------------|--------------------|-------------|
| John Spradlin | Police Chief | Western Surety Co. | 50,000 |
| William H. Camp, Jr. | Vice-Mayor | Western Surety Co. | 25,000 |
| Dan E. Walton | Mayor | Western Surety Co. | 25,000 |
| Linda Warren | Town Clerk | Western Surety Co. | 50,000 |
| Jane Brown | Board Member | Western Surety Co. | 7,000 |
| Jeffery Butler | Board Member | Western Surety Co. | 7,000 |
| Barry McFerrin | Board Member | Western Surety Co. | 7,000 |
| Dan Moore, Jr. | Board Member | Western Surety Co. | 7,000 |
| Regina Beaty | Park Director | Western Surety Co. | 7,000 |

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF INVESTMENTS
September 30, 2003

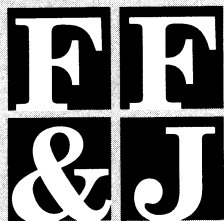
Governmental Fund Types

General Fund:

| | |
|---------------------------------------|------------|
| General Fund - Certificate of Deposit | \$ 100,000 |
|---------------------------------------|------------|

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the fiscal year ended September 30, 2003

| | Balance Outstanding October 1, 2002 | Transactions During Fiscal Year | | Balance Outstanding September 30, 2003 |
|---|---|---------------------------------|------------------|--|
| | | Issued | Redeemed | |
| <u>LONG-TERM DEBT</u> | | | | |
| Notes Payable-Farmers Home Administration | \$ 324,958 | \$ | \$ 27,206 | \$ 297,752 |
| Interim Financing Note Payable - BancorpSouth | 0 | 51,832 | | 51,832 |
| | | | | |
| Total | \$ <u>324,958</u> | \$ <u>51,832</u> | \$ <u>27,206</u> | \$ <u>349,584</u> |



**FRANKS,
FRANKS &
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

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BRYON WILEMON

SCOTT WILSON

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Aldermen
Town of Mantachie, Mississippi

We have audited the general purpose financial statements of the Town of Mantachie, Mississippi as of and for the year ended September 30, 2003, and have issued our report dated July 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Mantachie, Mississippi's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 03-1, 03-3 and 03-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Mantachie, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Mantachie, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-1, 03-2 and 03-3.

OTHER AUDITOR'S REPORTS

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 03-1, 03-2 and 03-3 to be a material weakness.

This report is intended for the information of management, Mississippi State Audit Department and other related state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Franks, Franks & Jarrell, P.A.

Franks, Franks & Jarrell, P.A.

July 20, 2004

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2003

FINDING AND REPORTABLE CONDITION NO. 03-1:

Condition: The Town of Mantachie's internal control procedures over fixed assets have not been properly developed and implemented. During our audit testing, we noted that the Town does not maintain a fixed asset inventory system as prescribed by the Mississippi Code. The Town does not maintain a complete fixed asset listing containing items description, location, condition and inventory tag number. Fixed asset inventory tags are not being properly used by the Town. The Town does not perform an annual fiscal inventory of fixed assets as prescribed by the Mississippi Code.

Criteria: State law requires municipalities of the State to maintain a complete fixed asset inventory listing, to properly tag all fixed assets and to perform an annual fixed asset inventory.

Cause: The Town has failed to develop adequate internal controls over its fixed assets.

Effect: The effect of this finding is that the Town is not in compliance with state law requirements.

Recommendation: The Town should begin to develop and implement internal control policies and procedures related to fixed asset management. The Town should perform a fixed asset inventory and prepare a current fixed asset inventory listing as prescribed by state law. The Town should place inventory tags on all existing fixed assets and all fixed assets acquired by the Town in the future.

Management's Comments: The Town will attempt to develop and implement better internal controls over its fixed assets.

**TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2003**

FINDING AND REPORTABLE CONDITION NO. 03-2:

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| Condition: | The Town of Mantachie's internal control structure does not provide for adequate segregation of duties. |
| Criteria: | A valuable element of the internal control structure is proper segregation of duties of accounting personnel. |
| Cause: | The Town lacks adequate segregation of duties due to the Town's small size and small number of employees. |
| Effect: | The effect is that the Town's internal control structure is not operating with the same effectiveness as it would if it were to have the proper segregation of duties. |
| Recommendation: | The Town's mayor and board should continue to be actively involved in a supervisory position in the Town's operations. |
| Management's Comments: | The Town will attempt to maximize segregation of duties whenever possible. The mayor and board will remain actively involved in a supervisory position over the Town's operations. |

**TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2003**

FINDING AND REPORTABLE CONDITION NO. 03-3:

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| Condition: | The Town of Mantachie did not have sufficient internal controls related to the processing of court fines and assessments to comply with state statutes. |
| Criteria: | The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. |
| Cause: | The Town did not maintain adequate internal controls over the processing of court fines and assessments. The deficiencies noted were as follows: there was not full accountability for ticket books issued to officers; the court docket was not being completed for all cases and the municipal judge was failing to sign the court docket and enter a disposition for a portion of the year. |
| Recommendation: | The Town should implement adequate internal controls sufficient to address all deficiencies noted above. All internal controls and recommendations should be complied with in all instances. The Town has made significant progress in the past year to implement improvements and new procedures. |
| Management's Comments: | The Town has already implemented adequate internal controls over the processing of court fines and assessments of the Town. The Town will ensure compliance with internal controls and state laws in all future periods. |

TOWN OF MANTACHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2003

FINDING AND REPORTABLE CONDITION NO. 03-4:

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|-----------------------------------|--|
| Condition: | The Town of Mantachie did not have adequate surety bond coverage for one employee as required by state statutes. |
| Criteria: | The Town is to maintain surety bond coverage on all employees in specified amounts as required by state statutes |
| Cause: | The Town did not have the proper amount of surety bond coverage on one employee. All employees that handle cash are required to have a minimum of \$10,000 surety bond. The Town had one employee that handles cash that only had \$7,000 of surety bond coverage. |
| Recommendation: | The Town should obtain the proper amount of surety bond coverage on this one employee and ensure all future employees are bonded as required by state statutes. |
| Management's Comments: | The Town will increase the surety bond coverage on this one employee to \$10,000 and ensure all futures employees are covered as required by state statutes. |

- * - Finding No. 03-1 and 03-3 are considered reportable conditions, material weaknesses and instances of noncompliance with state laws.
- * - Finding No. 03-2 is considered a reportable condition and a material weakness.
- * - Finding No. 03-1, 03-2 and 03-3 were also prior year findings.
- * - Finding No. 03-4 is considered a instance of noncompliance with state laws.